



ANNUAL REPORT

MAGNA ELECTRONICS
CORPORATION LIMITED
1966

The Annual General Meeting of the Common Shareholders will be held in Salon A of the Lord Simcoe Hotel, King Street West and University Avenue, in the City of Toronto, on the 12th day of December, 1966, at the hour of 10 o'clock in the forenoon.

| HIGHLIGHTS | 1966 | 1965 | 1964 | 1963 | 1962 |
|-----------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net profit per common share (before preference dividends) | 89.4¢ | 28.6¢ | 35.2¢ | 34.6¢ | 30.9¢ |
| Net profit per common share (after preference dividends) | 85.0¢ | 24.2¢ | 30.6¢ | 30.0¢ | 27.6¢ |
| Equity per preference share | \$637.43 | \$531.20 | \$500.03 | \$482.00 | \$459.71 |
| Equity per common share | \$3.59 | \$2.94 | \$2.86 | \$2.74 | \$2.57 |
| Preference share dividend | \$15,270 | \$15,704 | \$16,254 | \$16,247 | \$11,480 |
| Times preference dividend earned | 20.5 | 6.4 | 7.5 | 7.5 | 7.1 |
| Working capital | \$658,852 | \$540,273 | \$609,744 | \$364,522 | \$442,755 |



MAGNA ELECTRONICS CORPORATION LIMITED

president's letter

to the shareholders of magna electronics corporation limited

On behalf of the Board of Directors, I again take pleasure in presenting your Company's annual report for the year ended August 31, 1966, which consists of the balance sheet, statements of operations, earned surplus and source and application of funds.

I am pleased to report that your Company has experienced the best year in its history. Our production in 1965 was handicapped by design changes, material shortages and rescheduling, however this year we were able to eliminate this backlog and to maintain our 1966 schedule.

1967 could well prove to be another pace setting year. We are entering it with the largest backlog of orders ever recorded by the Company. The old facilities were strained to handle this year's volume of business but would never be able to process the anticipated 1967 volume. Therefore, we have been forced to move the Magna Division to larger and more modern premises in Scarborough, Ontario. The move has now been underway for some time and we have been successful in not disturbing production during this period. The move to these new premises is the final step in bringing our four divisions into larger and more modern surroundings. The new facilities will make way for improved production and should handle anticipated increases in business for a number of years.

FINANCIAL

For the first time in your Company's history a dividend has been declared on the common shares. We have announced that 2½¢ per quarter or 10¢ per year would be paid on a regular basis to the common shareholders. We felt that this action was long overdue and that neither the Company's future growth or its cash position would be affected adversely by such a move. Increased dividends will be paid in the future as they can be afforded.

Despite the movement of our plants, increased production, the acquisition of a considerable amount of new machinery and most recently the allocation of monies for common dividends, your Company has maintained a very healthy cash position.

This is most encouraging in view of the tight money conditions that exist in Canada today. We should be able adequately to handle the coming year's business expansion without seeking financial assistance in a very expensive money market.

Like most companies today, we have felt the effects of inflation through labour increases, higher cost of materials and generally the increased costs of doing business. We have been able to maintain our profit margins through increased productivity and greater efficiency. In addition, the previous programmes of investment in programmed and automatic machinery have been a very real factor in allowing us to acquire large work programmes and have made us most competitive in both the Canadian and U.S. markets.

SALES

A considerable portion of our increased volume is due to the expansion of our sales staff and the addition of many new customers. This year the sales staff was doubled and an increased volume of business is anticipated.

Although record levels were achieved in the sales area this year, they were nevertheless hindered by our cramped plant facilities. Once the move to the new premises is completed the expanded sales force will be in a position to seek new business.

PRODUCT DEVELOPMENT

This year has been an active one in product development as we have benefited by the in-

creased activity from both government and self initiated programmes. We are most optimistic for large production orders resulting from development programmes completed this year for the Canadian Government. Because this is classified work, security regulations will not allow the particulars to be made public.

At the present time we are doing exploratory work on a new patented plastic moulding process as well as on a revolutionary patented electric sign.

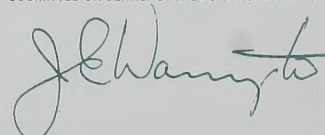
This year we have been successfully producing drafting tables and have been experiencing a continuing flow of large orders for these units. Two years ago I reported that these units were in the development stage.

We are also continuing our work in the atomic energy field in conjunction with various agencies.

CONCLUSION

On behalf of the Board of Directors, I wish to express our appreciation of the continued support we have received in the building of your Company. Needless to say this year's progress is most gratifying and truly reflects the full effort that your management and staff have put forth. The fiscal year ended August 31, 1966 did more than fulfill our most optimistic predictions and 1967 is already showing the same tendencies. We are looking forward to another record year for Magna Electronics.

SUBMITTED ON BEHALF OF THE BOARD OF DIRECTORS



J. E. WARRINGTON, PRESIDENT, NOVEMBER 17, 1966

ASSETS

| | 1966 | 1965 |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| CURRENT ASSETS | | |
| Cash on hand and in bank | 52,454 | 114,912 |
| Accounts receivable | 695,142 | 384,330 |
| Inventory of raw materials and work in progress at the lower of factory cost or net realizable value less progress billings | 304,419 | 281,611 |
| Prepaid expenses and sundry assets | 18,787 | 32,987 |
| Corporation taxes refundable | — | 10,537 |
| TOTAL CURRENT ASSETS | <u>1,070,802</u> | <u>824,377</u> |
| FIXED ASSETS (Note 2) | | |
| Land | 47,176 | 38,226 |
| Buildings and improvements | 441,740 | 384,916 |
| Machinery and equipment | 1,483,720 | 1,281,806 |
| | <u>1,972,636</u> | <u>1,704,948</u> |
| Less: Accumulated depreciation | 815,791 | 669,655 |
| | <u>1,156,845</u> | <u>1,035,293</u> |
| OTHER ASSETS | | |
| Sinking fund for the redemption of preference shares (Note 3) | 4,851 | 5,000 |
| Research, development and engineering — at cost less adjustments (Note 4) | 80,000 | 95,000 |
| Goodwill — at cost | 137,161 | 137,161 |
| Unamortized bond and issue expenses | 26,334 | 39,425 |
| Net excess of cost over net assets of wholly owned subsidiaries acquired . . | — | 16,259 |
| | <u>248,346</u> | <u>292,845</u> |
| TOTAL ASSETS | <u>\$2,475,993</u> | <u>\$2,152,515</u> |

Approved on behalf of the Board:
 J. E. Warrington, Director
 David Fry, Director



MAGNA ELECTRONICS CORPORATION LIMITED

balance sheet

as at August 31, 1966 (with comparative figures for 1965)

LIABILITIES AND SHAREHOLDERS' EQUITY

| CURRENT LIABILITIES | 1966 | 1965 |
|-------------------------------------------------------------------------------------|--------------------|--------------------|
| Accounts payable and accrued liabilities | 225,368 | 227,947 |
| Employees tax deductions | 22,683 | 11,993 |
| Corporation taxes payable (Note 5) | 120,509 | — |
| Accrued interest on long-term debt | 18,390 | 19,164 |
| Current portion of long-term debt | 25,000 | 25,000 |
| TOTAL CURRENT LIABILITIES | 411,950 | 284,104 |
| LONG-TERM DEBT | | |
| 6½% First mortgage bonds maturing September 15, 1983 | 450,000 | 475,000 |
| Less: Instalment maturing within one year | 25,000 | 25,000 |
| | 425,000 | 450,000 |
| 6½% Floating charge debentures (Note 7) | 150,000 | 150,000 |
| | 575,000 | 600,000 |
| SHAREHOLDERS' EQUITY | | |
| <i>Capital Stock</i> | | |
| Preference shares | | |
| 6½% Cumulative redeemable sinking fund, par value \$100 | | |
| Authorized — 9836 | | |
| Outstanding — 2336 (Note 3) | 233,600 | 238,800 |
| Common shares — without par value | | |
| Authorized — 1,000,000 | | |
| Outstanding — 350,000 | 317,505 | 317,505 |
| Contributed Surplus (Note 3) | | |
| Gain on purchase of preference shares for cancellation | 1,328 | 1,120 |
| Excess of appraised value of assets over cost — less adjustments (Note 4) | 321,316 | 368,781 |
| Retained earnings (Note 6) | 615,294 | 342,205 |
| | 1,489,043 | 1,268,411 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$2,475,993 | \$2,152,515 |

Magna Electronics Corporation Limited, Toronto, Ontario.

To the Shareholders:

We have examined the balance sheet of Magna Electronics Corporation Limited as at August 31, 1966 and the statements of earnings, retained earnings and source and application of funds for the year then ended, and have obtained all the information and explanations we have required.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related notes thereto, and statement of earnings, retained earnings, and source and application of funds, present fairly, the financial position of the company at August 31, 1966 and the result of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

"Resnick, Wintraub & Co.," Chartered Accountants/Toronto, Ontario, October 19, 1966.

notes to the financial statements

as at August 31, 1966

Note 1: During the year the operations of the wholly owned subsidiaries:

Precision Machining (Barrie) Limited, Progressive Platers Limited and Fine Pitch Gears Limited, were phased into the existing divisions of the Company. Consequently the financial statements are no longer consolidated.

Note 2: The fixed assets are recorded on the books of the Company at depreciated replacement value as per appraisal of Cooper Appraisals Limited dated September 1, 1961, plus subsequent additions at cost, less disposals and less adjustments to the appraised value.

Note 3: A preference share sinking fund is set aside by annual appropriation for the purchase of preference shares on the market for cancellation. During the year, 52 preference shares, par value \$100 were redeemed at a cost of \$96 each.

Note 4: In accordance with the policy initiated by the directors, the Company reduced appraised value of the intangible and fixed assets, other than land and building, by \$47,466 for the year. The accumulated amount by which the appraised values have been reduced is \$221,505.

Note 5: Taxes on income have been reduced by \$60,400 because of the Company's intention to claim for tax purposes depreciation to the extent of \$116,000 in excess of the amount provided for the year in the accounts. The accumulated depreciation to date in excess of the amount provided in the accounts is \$262,300, which has resulted in accumulated tax savings to date of \$136,400.

Note 6: In accordance with the trust indenture for the first mortgage sinking fund bonds no dividends are to be paid on the common shares of the Company or preference shares redeemed, other than from the sinking fund, unless immediately after giving effect to such payment.

1. The consolidated working capital of the Company and its subsidiaries is in excess of \$400,000, and
2. The consolidated retained earnings of the Company and its subsidiaries is in excess of \$150,000.

Note 7: The floating charge debentures are repayable, commencing September 15, 1968 to September 15, 1973, at the rate of \$25,000 yearly. Principal and interest repayments on the said debentures are subject to the same restrictions affecting the Company's shares as outlined in note six.

Note 8: A portion of the Company's sales made to the Canadian government are subject to adjustment on government audit. The management is of the opinion that full provision has been made for any adjustments that may arise in final determination of contract prices.



statement of earnings

for the year ended August 31, 1966 (with comparative figures for 1965)

| | 1966 | 1965 |
|------------------------------------------------------------------------------|-------------------|-------------------|
| Profit before depreciation, cost of long term debt and taxes on income . . . | 701,137 | 261,385 |
| Depreciation | <u>155,589</u> | <u>106,292</u> |
| Profit before cost of long term debt and taxes on income | 545,548 | 155,093 |
| Cost of long term debt | <u>41,510</u> | <u>43,198</u> |
| Profit before taxes on income | 504,038 | 111,895 |
| Provision for taxes on income (Note 5) | <u>191,167</u> | <u>11,719</u> |
| Net profit | <u>\$ 312,871</u> | <u>\$ 100,176</u> |

statement of retained earnings

as at August 31, 1966 (with comparative figures for 1965)

| | 1966 | 1965 |
|------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Retained earnings at the beginning of the year | 342,205 | 266,322 |
| Net profit for the year | <u>312,871</u> | <u>100,176</u> |
| | <u>655,076</u> | <u>366,498</u> |
| Deduct: | | |
| Net excess of cost over net assets of wholly owned subsidiaries acquired (Note 1) | 16,257 | — |
| Dividends on preference shares | 15,270 | 15,704 |
| Adjustment re prior years' taxes | — | 334 |
| Life insurance premiums | 3,255 | 3,255 |
| Amortization of commission on sale of preference shares | <u>5,000</u> | <u>5,000</u> |
| | <u>39,782</u> | <u>24,293</u> |
| Retained earnings at the end of the year | <u>\$ 615,294</u> | <u>\$ 342,205</u> |

statement of source and application of funds

for the year ended August 31, 1966 (with comparative figures for 1965)

| | 1966 | 1965 |
|--------------------------------------------------------|----------------|----------------|
| Working capital at the beginning of the year | <u>540,273</u> | <u>609,744</u> |

SOURCE OF FUNDS

| | | |
|----------------------------------------------------------|------------------|----------------|
| Net earnings for year | 312,871 | 100,176 |
| Non-cash charges included in earnings | | |
| Provision for depreciation | 155,589 | 106,292 |
| Amortization of organization and issue expense | 8,091 | 8,118 |
| | <u>476,551</u> | <u>214,586</u> |
| | <u>1,016,824</u> | <u>824,330</u> |

APPLICATION OF FUNDS

| | | |
|----------------------------------------------------------------------|--------------------------|--------------------------|
| Net additions to fixed assets | 309,604 | 234,438 |
| Instalment on 6% mortgage bond maturing September 15, 1983 | 25,000 | 25,000 |
| Payment of dividend on preferred shares | 15,270 | 15,704 |
| Transfer of funds to preference shares sinking fund | 4,843 | 5,000 |
| Other applications | 3,255 | 3,915 |
| | <u>357,972</u> | <u>284,057</u> |
| Working capital at end of year | <u><u>\$ 658,852</u></u> | <u><u>\$ 540,273</u></u> |

NOTE: The increase to working capital during the year amounted to \$118,579.



MAGNA ELECTRONICS CORPORATION LIMITED

customers

Aircraft Appliances & Equipment

Airtron Canada

Atomic Energy of Canada

Automatic Canteen Co. of Canada Ltd.

Canadian Aviation Electronics Ltd.

Canadian General Electric Co., Ltd.

Canadian Marconi Company

Canadian Motorola Electronics Limited

Canadian Westinghouse Co., Ltd.

Collins Radio Co. of Canada Limited

Computing Devices of Canada Limited

Daystrom Ltd.

Decca Radar Canada Limited

De Havilland Aircraft of Canada Ltd.

Dominion Rubber Company Limited

Douglas Aircraft Canada Ltd.

Dowty Equipment of Canada Limited

Electronic Materials International Ltd.

Ferranti-Packard Electric Ltd.

Gabriel of Canada Ltd.

Garrett Manufacturing Limited

General Electric Company, U.S.A.

General Impact Extrusions Ltd.

Government of Canada

Department of Defence Production

Hanksraft Canada Limited

Honeywell Controls Limited

International Business Machines Co., Ltd.

I.T.T.-Gillfillan Incorporated, U.S.A.

Jarry Hydraulics Limited

Kawneer Company Canada Limited

Leigh Instruments Limited

Levy Industries Ltd.

Litton Systems Canada Limited

Litton Systems Incorporated, U.S.A.

McCullagh of Canada Ltd.

National Research Council

Norman Wade Co. Ltd.

Northern Electric Company Limited

Orenda Engines Limited

Ontario Hydro Commission

Philco Corporation of Canada Ltd.

Philips Electronics Industries

Raytheon Canada Limited

R.C.A. Victor Company Limited

Rotor Electric Company Limited

Samson Dominion Ltd.

Sperry Gyroscope Limited

Toronto Transit Commission

Turnbull Elevator Limited

Technical Materials Corporation

Varian Associates of Canada Limited

directors:

J. E. WARRINGTON

H. T. PAWSON

H. WARRINGTON

D. J. FRY — Investment Dealer, David Fry, Fraser & Company
Limited

J. O. McCUTCHEON — Professor of Civil Engineering,
McGill University

A. H. ZIMMERMAN, C.A.—Executive

officers:

J. E. WARRINGTON — President

H. T. PAWSON—Vice-President

H. WARRINGTON—Secretary-Treasurer

auditors:

RESNICK, WINTRAUB & CO. — Toronto

solicitors:

BLANEY, PASTERNAK, SMELA, EAGLESON & WATSON—Toronto

fiscal agents:

DAVID FRY, FRASER & COMPANY LIMITED — Toronto

COCHRAN, MURRAY & CO. LIMITED—Toronto, Montreal,
Hamilton, Kitchener, London.

registrars and transfer agents:

The CANADA TRUST COMPANY — Toronto

trustees for first mortgage bonds:

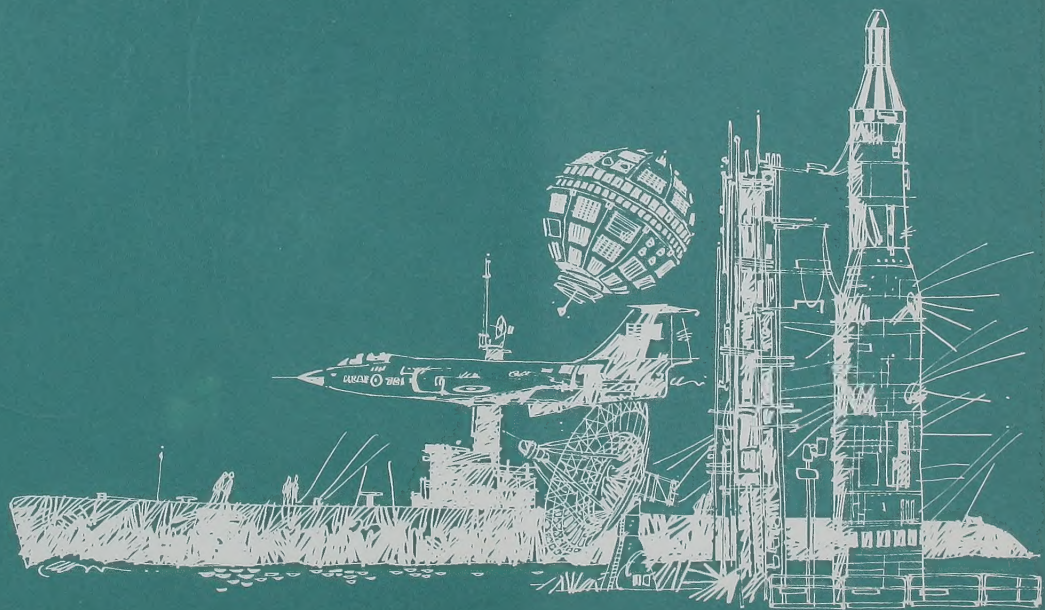
The METROPOLITAN TRUST COMPANY — Toronto

bankers:

ROYAL BANK OF CANADA—Toronto



MAGNA ELECTRONICS CORPORATION LIMITED





MAGNA ELECTRONICS CORPORATION LIMITED / *Specialists in Precision Components for the Electronics and Aircraft Industry*

Magna Electronics Corporation Limited/1480 Birchmount Rd., Scarborough
divisions

Magna Electronics/1480 Birchmount Rd., Scarborough
Verral Metal Fabricators/22 Howden Rd., Scarborough
Progressive Anodizers/41 Crockford Blvd., Scarborough
Qualified Precision Finishers/41 Crockford Blvd., Scarborough